

Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Number: 201018018  
Release Date: 5/7/2010

Date: February 10, 2010

Department of the Treasury

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X = Applicant organization  
w = Number of grants  
y = Amount of each grant  
C = Scholarly institution  
D = Recipients' location

Dear \_\_\_\_\_ :

We have considered your request for advance approval of your grant-making program under section 4945(g)(3) of the Internal Revenue Code, dated September 25, 2009.

Our records indicate that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that you will operate a grant-making program.

The grant program was established to support research and scholarly work abroad. The foundation intends to fund programs which promote stability, peace, and prosperity in developing nations and better conditions for the citizens of these countries. You have indicated two grant programs that you will sponsor: 1) grants to individuals pursuing economic, scientific, medical, historical, legal, or literary research and producing a report thereon, and 2) grants to individuals improving their skills in the visual or performing arts, literature, teaching, scholarly research or writing.

You are currently contemplating making grants to professors and scholars at C and D. However, X does not restrict grants to any specific geographic location.

You anticipate making w grants per year in amounts in the range of y. Grants may be made in equal quarterly installments where the individual recipient will need to provide a progress report and account for the use of the funds before the next installment will be provided. You have developed a form for the reports.

You have indicated that there is no limit on the number of individuals who are eligible for the grant, but that you anticipate 4-10 applications per year. You indicate that you will generally not accept unsolicited applications for grants. Applicants will be solicited through e-mail, internet, or appropriate postings at colleges, universities, research institutions, think tanks, research libraries, conservatories and other similar institutions affiliated with advancements in law, economics, medicine, history, literature, science, or the arts as selected from time-to-time by the Board of Directors. Neither employees of X nor "disqualified persons" are eligible for grants.

Applicants are required to submit a complete educational and biographical record and supporting materials, including a report on their academic and professional career, a detailed statement of their plans for the use of the grant (including a budget), a statement of their plans and commitments after the grant, references, and lists of publications. The applicant must also convince the foundation of his/her financial need for the grant funds.

Each applicant will be ranked based on his or her credentials, the description of his or her proposed project and whether it promoted charitable or educational needs, and his or her financial need.

The candidates will be screened by the screening board, which is either the full Board of Directors of X or the Board's Executive Committee. When appropriate, the screening board will consult with other individuals skilled in the area of Law, economics, science, medicine, history, literature, the arts or philanthropy.

In regards to making grants to foreign individuals or individuals in foreign countries, the Foundation will follow the guidelines, procedures, and instructions in adhering to the OFAC List and will check all individuals and organizations that it deals with against the OFAC List in order to verify that such persons are not on the list.

Individual grantees may be selected from (1) a group of qualified candidates, or (2) without reference to a group of candidates because he/she is exceptionally qualified to carry out the charitable, educational, or scientific purposes of the grant or it is otherwise evident that the selection is particularly calculated to effectuate the exempt purpose of X and the grant rather than to benefit particular persons. Members of the screening board shall not be in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others.

The terms and conditions of each grant to an individual are contained in a letter sent to each recipient of such grant. The recipient is required to communicate his/her acceptance of the grant in writing to X. Terms and conditions include: specific purpose of grant, its duration, the total amount of the grant, requirements for narrative reports, including due dates for such reports. In each case it will be stipulated that continued payment of grant funds is contingent upon evidence of adequate performance at the time of review.

By making a grant directly to a university professor or institutional researcher, the foundation can have greater assurance that the grant funds will be used for the grant purpose.

Each grantee is required to provide periodic reports to X showing the grantee's progress toward the original goal of the grant and an accounting for the use of the grant evaluation

documents. Upon completion of the grant the grantee provides a final report, which shall include a copy of the grantee's final work product.

X will require a report of the courses taken by each grantee and the grades received in each academic period. The reports will be required to be submitted at the end of each semester or quarter, and in all events at least annually. Any such academic report or transcript must be verified by a faculty member, registrar, or other appropriate official at the academic institution. If the grantee's studies do not involve formal courses (e.g., a doctoral thesis), a report on the grantee's progress must be submitted at least annually, and that report must be verified by the faculty member supervising the grantee's study.

An officer of X has the responsibility to follow the progress of the individual grant, that is, to review each report submitted by the funded educational institution or person, to make a determination as to whether the grant's purposes are being or have been fulfilled, and to look into any questions requiring further scrutiny or investigation.

Where reports to X, or other information (including failure to submit reports after a reasonable time has elapsed from their due date), indicate that all or any part of grant funds are not being used for the purposes of such grant, X shall withhold further payments to the extent possible until it has determined that no part of the grant has been used for improper purposes, and until any delinquent reports have been submitted.

If X determines that any part of the grant has been used for improper purposes, all further payments under the grant shall be terminated, and X shall take all reasonable and appropriate steps to recover diverted grant funds or to ensure the restoration of diverted funds and the dedication of other grant funds held by the grantee to the purposes being financed by the grant. These steps will include legal action unless such action would in all probability not result in the satisfaction of execution of judgment.

X agrees to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to X);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements